Identifying The Effectiveness Of Internal Audit Quality In The Government Of North Sumatra

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Abstract

The purpose of this study was to determine the identification of the effectiveness of internal audit quality in the North Sumatra government. The research data were obtained from questionnaires sent to respondents, namely auditors in the provincial and district / city regional directorates in North Sumatra. A total of 130 usable questionnaires were included in the multiple regression data analysis. This study provides valuable information for inspectorates and local governments in North Sumatra to determine the effectiveness of internal quality in the North Sumatra government. The challenge facing auditors today is to expand their audit practices and develop standards to adequately monitor the operations of business entities. The current high turnover rate reminds audit firms, which are concerned with training and providing sufficient resources to solve the problems auditors face in the workplace. Identifying the effectiveness of internal audit quality can be assessed from many factors, including task complexity.

Keywords:
effectiveness, quality, internal audit

Introduction

Internal audit has a very important role in creating effective and accountable governance. However, the quality of internal audit implementation in the local government sector is often questioned. One of the key factors affecting the quality of internal audit is the effectiveness of the audit process itself. The effectiveness of local government internal audit is still faced with various obstacles, including low independence, limited competent auditors, insufficient budget, and weak follow-up on audit recommendations. These conditions have the potential to reduce the

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quality and benefits that can be obtained from the implementation of public sector internal audits. Auditors are required to carry out their work professionally so that the resulting audit reports are of high quality. According to (DeAngelo, 1981) an auditor finds and reports violations in the client's accounting system. The quality of the auditor's work is related to the quality of expertise, timeliness of work completion, adequacy of examination evidence, and professionalism in completing work. Audit quality is how in accordance the audit is with auditing standards (Bakri, 2021; Jeong, 2020; Kabuye et al., 2019; Watkins et al., 2004). Auditors must carry out their work professionally. Provide accurate and reliable information for decision making (Davidson & Neu, 1993). Internal audit is an independent and objective assurance and consulting activity, with the aim of increasing value and improving organizational operations. In carrying out their duties, internal auditors often face high audit task complexity and pressure to complete audits in a short period of time. The complexity of the audit task can come from a wide audit scope, complicated audit procedures, and high uncertainty and ambiguity regarding the audit object. Meanwhile, time budget pressure arises because auditors are required to complete tasks on time with limited resources. Auditors may respond to time budget pressure with two different forms of dysfunctional behavior, time underreporting and reduced audit quality practices (Pierce & Sweeney, 2004). This study focuses on reducing audit quality practices because this behavior is likely to have serious consequences for audit quality. Studies such as those conducted by (Coram et al., 2003; Malone & Robin, 1996; McNamara & Liyanarachchi, 2008; Otley & Pierce, 1996; Pierce & Sweeney, 2004; Raghunathan, 1991; Willett & Page, 1996), have investigated empirically or qualitatively the direct relationship between time budget pressure and reduced audit quality practices, all with varying degrees of findings. Internal audit plays an important role in maintaining quality internal controls and good corporate governance. However, internal auditors often face the challenge of audit task complexity and pressure to complete audits in a short period of time. Audit
task complexity can be caused by the breadth of the audit scope, the amount of sampling, complicated audit procedures, and high uncertainty regarding the audit object. Meanwhile, time budget pressure arises due to demands for efficiency and effectiveness in the use of audit resources. These conditions can threaten the quality of internal audit results if auditors fail to respond appropriately to task complexity and time pressure. Therefore, this study aims to determine the effectiveness of internal audit quality in the North Sumatra government. The results of the study are expected to provide empirical evidence and policy recommendations for improving the effectiveness and quality of internal audit in local governments in North Sumatra.

Theoretical Foundation

Agency Theory

Agency Theory describes the relationship between principals, namely shareholders, and management as agents. Shareholders contract and select management to work based on the interests of shareholders. All work must be accounted for by management to shareholders. (Scott, 2015) states about Agency Theory as follows: "Agency theory is a branch of game theory that studies the design of contracts to motivate a rational agent to act on behalf of a principal when the agent’s interests would otherwise conflict with those of the principal." Agency relationship is described by (Jensen & Meckling, 1976) as "agency relationship as a contract under which one or more persons (the principals) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent." An agency relationship is described as a contract in which the principal (one or more persons) commands the agent (another person) to perform some work on behalf of the principal and the agent is authorized to make decisions that are in the best interest of the principal. If the objectives of both parties are the same, namely maximizing organizational value, then the agent is believed to act in accordance with the way the principal expects.
Principals as company owners certainly want to always get all the information about company activities, especially for activities related to the funds or investments they invest in the company. Principals get the various information needed through the accountability report prepared by the agent as well as a means of assessing the performance carried out by the agent in a certain period. However, in order for their performance to be considered good, agents often tend to make various efforts to make their accountability reports look good and generate profits for the principal, even though the reality may be different. To prevent this from happening, an examination carried out by the auditor as an independent third party is required. Thus, the financial statements prepared by the agent can be more trusted (reliable) (Marsellia et al., 2012). In the government sector, elected and appointed government officials (e.g., governors) are agents, while voters (the public) are principals. Officials in government as the party that organizes public services have more information so that they can make decisions or policies that are only concerned with the government and the authorities and ignore the interests and welfare of the people. To reduce these problems, the effort that must be made by local governments is to present financial reports in a transparent and accountable manner.

**Research Methods**

This type of research uses quantitative research. This research was conducted in the North Sumatra government. The sample of this study were auditors at the provincial and district/city regional inspectorates in North Sumatra and distributed questionnaires as many as 130 auditors. The type of data used is primary data. The data analysis technique used is simple regression using smart PLS by analyzing the data descriptively.

**Discussion and Research Results**

**Discussion**
Descriptive Statistics

Table 1 below shows the descriptive statistics of the research variables.

<table>
<thead>
<tr>
<th></th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>TC</td>
<td>1.25</td>
<td>5.00</td>
<td>3.9788</td>
<td>.90114</td>
<td>High</td>
</tr>
</tbody>
</table>

Internal quality effectiveness seen from task complexity (TC) shows a value of 3.9788, for the minimum value of 1.25 and a maximum value of 5.00 while the standard deviation is 0.90114.

Correlation Matrix

Table 2 below shows the correlation matrix of the research variables.

<table>
<thead>
<tr>
<th></th>
<th>KA</th>
<th>TC</th>
</tr>
</thead>
<tbody>
<tr>
<td>TC</td>
<td>.934***</td>
<td>1</td>
</tr>
</tbody>
</table>

From table 2. Correlation Matrix shows that variable (X1) has a positive influence on internal audit quality. This task complexity / (X1) has a significant effect on audit quality. Task complexity refers to the level of difficulty, complexity, or complexity of a job or task that must be completed. Complex tasks can involve many variables, stages, or aspects that need to be considered, and require in-depth understanding, skills, and careful completion. Internal audit quality includes in-depth analysis and evaluation skills. The more complex the audit task, the more this ability is needed to understand the situation well and provide meaningful recommendations. This is in line with research conducted by Primasatya et al...
(2019), which states that independence has no effect on the effectiveness of internal audit, competence affects the effectiveness of internal audit, audit quality does not affect the effectiveness of internal audit, and management support affects internal audit.

Research Results

From the results of the study, it can be stated that TC has a positive influence. This is in line with research conducted by Smith (2019) in his research finding that high task complexity can actually increase the professional skepticism of internal auditors, thus having a positive impact on audit quality. Task complexity increases the motivation and professional skepticism of internal auditors. According to Role Theory, more complex and challenging tasks can motivate internal auditors to do their best. Task complexity also encourages the professional skepticism needed to ensure that the audit evidence obtained is valid and sufficient. Task complexity encourages more careful and meticulous audit planning. Internal auditors need to plan audit steps more carefully to handle complex tasks. This more careful planning ultimately increases the effectiveness of the audit. Task complexity increases auditors’ understanding of the audit area. By handling complex tasks, internal auditors’ understanding of auditee operations and risks increases. This better understanding allows auditors to conduct more comprehensive audits. Task complexity increases job satisfaction and retention of talented auditors. Routine tasks that are too simple can make talented auditors bored and unmotivated. Moderate task complexity can increase job satisfaction and retention of competent internal auditors.

Conclusions and Suggestions

Conclusion
Identification of the effectiveness of internal audit quality as seen from Audit Complexity / Task Complexity has a positive influence on internal audit quality.
This is in line with research conducted by Suprapto et al (2020) which states that task complexity affects audit quality. Dysfunctional auditors are unable to moderate task complexity on audit quality.

**Suggestion**

The quality of internal auditors can be improved by organizing training and development related to the technical skills and knowledge of internal auditors. This can include in-depth understanding of government regulations, financial literacy, and quality auditing skills.

**References**


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Smith (2019). "The Impact of Task Complexity on Internal Audit Quality" Jurnal Accounting Horizons